

November 20, 2013

Lamprey Regional Cooperative Board of Directors

Present: Paul Deschaine/Stratham, Karen Anderson/Greenland, Jay Moriarty/Madbury, Rick Stern/Newington, Clay Mitchell/Newfields, Roger Rice/Lee, Dennis Coach/Epping.

Mr. Deschaine explained the budgeting process for those new to the Board. He explained that Lamprey is a Municipal Association and as such is subject to the Municipal Budget Act. In that regard, we have a Board of Directors who oversees a budget. We either vote to proceed to a public hearing with the budget, if there are revisions and people need time to talk then we would have to meet one other time. Once we decide on a final budget to propose, we will post a public hearing on it. Once we have the public hearing, we are required to wait 30 days before we can have a final vote on the adoption of the budget.

**2014 Budget Discussion:**

Mr. Deschaine began a discussion regarding the 2014 Operating Budget. He began by identifying the members of the Executive Board which consists he as Chairman, Karen Anderson as Co-Chair, Ed Jansen, Jay Moriarty and Valerie Kemp as Treasurer. They usually meet in September or October to review information from various sources and compile it into the draft budget that has been handed out today. It is a model that we developed last year in trying to further refine the profit and cost centers that the Cooperative operates. The Cooperative has two funds, the first being the General Operation of Lamprey. That fund has two components to it, one is the general administration of the contract that we have with Waste Management for disposal services and then there is a core of 5 Towns (Epping, Lee, Madbury, Northwood & Rollinsford) that also contract with the Cooperative for hauling services. Those are the two basic income streams – hauling and tipping fees at Turnkey Landfill in Rochester, NH. The other is the Closure Fund which encompasses the income and expense relative to the management of the mono-fill that we own in Somersworth. Lamprey is required to maintain that per our permit. The other Fund is the Closure Fund which was discussed later in the meeting.

Mr. Deschaine went on to discuss the formatting of the Operating draft budget, and the specifics of the expenses.

Mr. Deschaine pointed out that as of September, Lamprey was approximately \$20,000 in the red compared to actual expenses, but that it was not out of line with expectation because Waste Management bills us in the very beginning of the fiscal year and we pay that out immediately and then we bill the Municipalities – so our revenue stream is always a month behind our actual disposal expense. However, when projecting that out to 12 months, we are perhaps looking at a \$26,000 deficit if things do not change. Mr. Deschaine told the Board that this gives pause for concern. He brought to the Board's attention several areas where the Cooperative has gone over budget, truck repairs are

higher again in 2013 than expected. He also pointed out that the 5 hauling Member Town's have not been able to repay the last two years of the debt to the Cooperative for the new truck. He went on to point out that the revenue from hauling was budgeted last year to be \$88,000 and the projected 12 projection comes in at \$67,000. Suspicion for that is that Town's are becoming more efficient at packing the cans so they are making fewer trips, and fewer trips means less revenue for the Cooperative.

Mr. Deschaine went on to discuss the revenue from the disposal side of the Operating Fund. That too saw a decrease in tonnage, but also a corresponding decrease in what Waste Management billed the Cooperative for disposal.

Mr. Deschaine went on to discuss the proposed budget for 2014, going line by line with explanation of each expense. Mr. Moriarty spoke about the overages to the truck repair line item stating that the repair issues were not due to neglect or abuse by the driver, but simple that the truck undergoes a beating with rough terrain and issues with the turbo charger. He stated that the maintenance costs have exceeded expectations for a truck that new. Mr. Deschaine stated that the purpose for getting a new truck was to avoid the maintenance charges we were experiencing with the old truck, but that hasn't been the experience.

After discussion on individual line items, Mr. Deschaine stated that the total actual expenses for 2013 to date totaled \$862,499.99.

Mr. Deschaine went on to explain that starting in 2012, the budget is set up as "cost centers" which determine the percentages of each expense that is allotted to each of the cost centers – Operating, Hauling and Closure – and how those allocations effect the proposed tipping fees and mileage rates for hauling.

After making all of those adjustments – the tipping fee proposed to balance the budget with our transfer in is \$81.89 per ton, up from \$78.67, a \$3.22 per ton increase. Mr. Deschaine explained that in the past there has been a concerted effort to keep both the tipping fee and the hauling charges (mileage) down by using reserves to offset increases given the economic climate that we were in. It was decided by the Executive Committee that we can no longer afford to do this – that we are dipping too far into the reserves given that they are in place as an insurance policy in case of a catastrophic event at the landfill.

Mr. Deschaine opened the discussed to the Board asking for input on the draft proposed operating budget for 2014. He asked if they felt the increases were too high, did they want to wait for the trucking communities to meet and discuss what they wanted to do. Do we want to dip into the reserves further – there are several ways to balance out the budget, but it is up to the Board of Director's to decide the course of action. Discussion regarding the need for the trucking cost center to pay for itself commenced. Mr. Moriarty expressed that he felt the breakdown of percentages allocated to the trucking sector seemed reasonable. He went on to say that he felt that the 5 hauling communities needed to meet and discuss the direction they wanted to proceed. Mr. Deschaine added that he

felt there was a benefit to keeping the trucking even though it is a substantial increase. Once the rate is set at an actual amount to offset the actual expenses, that rate becomes very stable. The Treasurer, Valerie Kemp, interjected that the reason in her opinion that the rate increase was so large was because in the past we have not had a means to clearly identify the expenses that were attributed to the Hauling sector of the budget. Breaking the budget into cost centers has clearly identified the fact that the hauling charges have historically been too low. This increase brings the hauling charges in line with the expenses incurred. Mr. Koch from Epping asked if the Executive Board felt this was essentially a one time large increase and Mr. Deschaine said that he felt it would bring the hauling rate inline with the expenses and going forward future increases should be minimal. Mr. Deschaine stated that if towns contracted out to a private hauler, you will be at the mercy of what their cost increases are and we have always believe that by just having the Cooperative in the market, it's been a competitive force or a stabilizing factor. If we pull out of that market – be it waste disposal and or trucking – the private haulers and truckers have free rain. Economics would tell you that one less competitor in the market means that your rates would probably go up.

Mr. Moriarty stated that he felt the Board should accept the proposed budget for 2014. But he also stated that he felt that the 5 member towns in the trucking sector should still meet to discuss the direction of the trucking sector of the Cooperative. Mr. Deschaine explained that if the 5 communities wanted to meet and bring back their findings at the public hearing which would be set for the beginning of December, that would be the input that we would normally expect at a public hearing – and then 30 days later we would make the adjustments relative to those comments.

Mr. Deschaine suggested the week of December 9<sup>th</sup> for the public hearing and this was agreed upon by the Board.

Mr. Deschaine asked for a motion to act on the proposed operating budget. Karen Anderson made the motion, seconded by Roger Rice, and the vote was unanimous.

Discussion moved on to the Closure Budget. Mr. Deschaine reported that there would be no changes in the Closure budget for 2014 with the exception that there will now be an allocation for “Due to Operating Fund” which is a yearly adjustment to reimburse the expenses to the Operating fund that were attributed to the Closure Fund throughout the year.

Mr. Deschaine asked for a motion to act on the proposed Closure Budget. Karen Anderson made the motion, seconded by Roger Rice and the vote was unanimous.

Mr. Deschaine stated that a notice would be sent out as to the actual date for the public hearing. The Treasurer stated that she would also send out another copy of the proposed budgets along with the minutes of this meeting for those who were not able to attend.

A motion was made to adjourn the meeting by Karen Anderson, seconded by Clay Mitchell.

The meeting was adjourned at 4:12

Copies of the 2014 Operating and Closure budgets were handed out to each member present.

The meeting was called to order at 3:42.

Mr. Deschaine asked the Board of Director's to introduce themselves.

The meeting was adjourned at 3:15.

Respectfully submitted,

*Valerie Kemp*

Valerie Kemp  
Treasurer